

2013 Report of the Division of Banking

Banking Division Mortgage Servicing Settlement Fund Expenditures

House File 2465, 2012 General Assembly, created the Banking Division Mortgage Services Settlement Fund ("Settlement Fund") for the receipt of moneys received by the Banking Division ("Division") from the joint state-federal mortgage servicing settlement. The legislature appropriated moneys deposited into the Settlement Fund to the Division to be used as provided in a financial plan developed by the Superintendent of Banking and approved by the Department of Management to support state financial regulation, including oversight of mortgage lending and mortgage servicing, real estate and real estate appraisal, state-chartered banks, and other financial services regulated by the Division. The legislature also authorized use of the money to support financial literacy efforts. See H.F. 2465, § 7(2). House File 2465 further requires the Division to submit annual reports to the General Assembly detailing the expenditure of moneys related to the implementation, monitoring, or enforcement of the settlement and how the expenditures in the current and succeeding calendar year will be used for the implementation, monitoring, or enforcement of the settlement. H.F. 2465, § 7(4)(b). It is my pleasure to submit the following report regarding the Division's expenditures of the Banking Division Mortgage Servicing Settlement Fund to the General Assembly.

The joint state-federal mortgage servicing settlement included multiple facets. With respect to the funds received by the state banking regulators, including the Division, the settlement directed the funds to be used to support and improve state financial regulation and supervision. The Division's expenditures of the Settlement Fund money during calendar year 2013 implemented this directive to support and improve state financial regulation as follows:

The Division spent \$54,593 to fund depreciation and the purchase of three vehicles for examiners to use when traveling to examine mortgage companies, state-chartered banks, real estate brokers, and other financial services providers regulated by the Division. Effective regulation of these entities requires the Division to perform some on-site inspections of the operations of these entities. The vehicles support the Division's ability to fulfill these necessary tasks.

The Division spent \$33,460 to upgrade its IT system. Improvements in technology and new equipment are necessary to support continued effective examinations

The Division spent \$49,567 on expenses related to staff transition due to turnover, including termination costs, recruitment costs, and training costs. The fund helped examiners keep abreast of changes in state and federal laws and regulations and helped Division improve financial regulation.

For calendar year 2014¹, the Division has requested to use Settlement Fund money in the following ways to support and improve state financial regulation:

The Division plans to spend \$36,000 to restore the appropriate balance of the vehicle purchasing accounts maintained by DAS for upcoming purchase vehicles for examiners to use when traveling to examine mortgage companies, state-chartered banks, banks, real estate brokers, and other financial services providers regulated by the Division. Effective regulation of these entities requires the Division to perform some on-site inspections of the operations of these entities. The vehicles support the Division's ability to fulfill these necessary tasks.

The Division plans to spend \$20,000 to continue upgrades to its IT system. Improvements in technology are necessary to support continued effective examinations.

The Division plans to spend \$125,000 on expenses related to staff transition due to turnover. The Division has an experienced staff and many of them have begun to retire or are eligible to retire in the near future. The Division anticipates several additional expenses related to this transition, such recruitment costs, training costs, and costs owed to retiring employees for accrued vacation and the SLIP program. Well qualified and trained staff is essential to effective financial regulation. Utilizing money to defray the costs associated with this transition will help improve financial regulation in the future and enable the Division to continue to fulfill its responsibilities.

¹ House File 2465 provides the financial plan developed by the Superintendent and approved by the Department of Management may be updated periodically as provided by the Superintendent and approved by the Department of Management. The calendar year 2014 expenditures are based on the currently approved plan.